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RUEHKP/AMCONSUL KARACHI PRIORITY 1737
RUEHLH/AMCONSUL LAHORE PRIORITY 1730
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 1004
RUEHBUL/AMEMBASSY KABUL PRIORITY 1370
RUEHBY/AMEMBASSY CANBERRA PRIORITY 0625
RUEHLO/AMEMBASSY LONDON PRIORITY 0766
RUEHTC/AMEMBASSY THE HAGUE PRIORITY 0673
RUEHNO/USMISSION USNATO PRIORITY 0624
RUEHOT/AMEMBASSY OTTAWA PRIORITY 0718
RUEAIIA/CIA WASHINGTON DC
RHMFISS/JOINT STAFF WASHINGTON DC
RHEHAAA/NSC WASHINGTON DC
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL
RHMFISS/CDR USSOCOM MACDILL AFB FL
RUMICEA/USSOCOM INTEL OPS CEN MACDILL AFB FL

C O N F I D E N T I A L SECTION 01 OF 02 PESHAWAR 000008

SIPDIS

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TAGS: PTER MOPS ASEC PGOV PK ECON ENRG

SUBJECT: ENERGY CRISIS IN NWFP; REGIONAL ECONOMY AT A "STAND-STILL

CLASSIFIED BY: Lynne Tracy, Principal Officer, Peshawar,
Department of State.

REASON: 1.4 (d)

Summary

¶1. (C) The economy of Pakistan's Northwest Frontier Province (NWFP) is at a "stand-still," according to Sharafat Ali Mubarak, president of the Sarhad Chamber of Commerce and Industry (SCCI).

Citing up to 20 hours per day of electrical loadshedding and drastic shortages of natural gas, Mubarak claimed that the region's energy crisis had virtually halted economic activity in northwest Pakistan. Mubarak's statements, while overly dramatic and not entirely accurate, rightly point out that these are increasingly challenging times in Pakistan's NWFP. End Summary.

Electricity and Natural Gas Shortages in NWFP

¶2. (C) Sharafat Ali Mubarak, president of Peshawar's leading trade group, SCCI, stated on January 5, that the NWFP economy was at a "stand-still." Mubarak noted that both domestic consumers and businesses had to put up with as many as 20 hours per day of electrical loadshedding and substantial shortages of natural gas. Mubarak claimed that recently 325 industrial companies, of about 2,000 in the region, had closed due to the energy crisis, costing up to 11,000 jobs. He called the energy crisis a "severe blow" to the NWFP and said the region's economy was "on the rocks."

¶3. (C) The chief engineer of Peshawar's Electric Supply Company (PESCO) claimed that last week was a particularly bad week for electrical loadshedding because Independent Power Producers (IPPs) had been shut-down for maintenance and the region's two large dams were undergoing de-silting operations, reducing available hydro power. PESCO's chief engineer stated that Peshawar and the surrounding area needs about 2,100 - 2,400 Megawatts of electricity, but suffered a shortfall of about 1,100 - 1,200 Megawatts, forcing PESCO to shut down different parts of the electricity grid for extended periods each day.

¶4. (C) The director of public relations at Sui Northern Gas Pipelines, Pakistan's largest natural gas company with over 3 million consumers, cited militant attacks on gas pipelines, as recently as December 31, and increased demand during winter, to

explain widespread problems with low gas pressure and unavailability. Most households in NWFP now have difficulty turning on their stoves in the morning. Shortages of compressed natural gas (CNG), the predominant transportation fuel in NWFP, have also caused significant problems for motorists. According to President of the Compressed Natural Gas Station Owners Association (CSOAP), Malik Bhuda Baksh, most CNG stations do not have enough CNG fuel.

Strikes and Protests Are Possible

¶5. (C) Although SCCI decided to call off a strike planned for this week after receiving assurances from NWFP's Chief Minister that the provincial government would provide better security to businessmen and more reliable power to companies, discontent looms throughout the region. In Bannu, trade organizations observed a complete shut-down on January 5 to protest unannounced electrical loadshedding. The NWFP government, apparently recognizing a growing discontent, imposed a ban on the use of electrical and gas heaters in all government offices due to the "electricity and gas crisis in the country."

Comment

¶6. (C) Mubarak's statements, while overly dramatic and not entirely accurate, rightly point out that these are increasingly challenging times in Pakistan's NWFP for both Businessmen and local citizens.

¶7. (C) What may be equally telling are the significant numbers of businessmen who have told post that they will not leave the area or cease operations for any reason. Many of these business leaders have purchased large generators to keep

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their factories operating and are on their second set of bodyguards as others have resigned over security concerns. Determination and strong wills can be seen on both sides of the struggle for the NWFP.

TRACY